

WAIS, Inc.

January 1995 Balance Sheet

2/8/95

	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>
Current Assets:			
Cash	207,113	126,512	80,601
Accounts Receivable	434,721	165,648	269,073
Deposits & prepaids	52,086	15,000	37,086
Total Current Assets	693,920	307,160	386,760
Fixed Assets:			
Furniture	34,946	9,741	25,205
Equipment & Software	181,069	145,276	35,793
Production Services	16,519	26,301	(9,782)
Leasehold Improvements	1,252		1,252
Accumulated Depreciation	(57,232)	(54,968)	(2,264)
Net Fixed Assets	176,554	126,350	50,204
Other Assets	3,259	3,815	(556)
Total Assets	873,733	437,325	436,408
Current Liabilities:			
Accounts Payable	147,400	54,364	93,036
Accounts Receivable Line of Credit			-
Note Payable		48,711	(48,711)
Deferred Revenue	7,100	79,253	(72,153)
Accrued Income Taxes	288,333	73,552	214,781
Total Current Liabilities	442,833	255,880	186,953
Shareholders' Equity:			
Paid in Capital	25,000	25,000	-
Current Year Income (Loss)	368,232	110,329	257,903
Retained Earnings (Deficit)	37,668	46,116	(8,448)
Total Equity	430,900	181,445	249,455
Total Liabilities & Equity	873,733	437,325	436,408

WAIS, Inc.

Income Statement for the Month of January 1994

2/8/95

* Month of January			FY 1995 Year to Date			
Actual	Budget	Better (Worse)		Actual	Budget	Better (Worse)
<i>Revenue:</i>						
36,000	177,778	(141,778)	Products	1,128,378	1,116,668	11,710
32,414		32,414	Government Contract	271,300		271,300
41,533	21,000	20,533	Production Services	249,383	207,000	42,383
			International	100,000		100,000
109,947	198,778	(88,831)	Total Revenue	1,749,061	1,323,668	425,393
<i>Cost of Sales</i>						
15,000		15,000		56,850		56,850
94,947	198,778	(103,831)	Gross Margin	1,692,211	1,323,668	368,543
<i>Expenses:</i>						
67,380	62,960	(4,420)	Marketing & Sales	250,688	273,258	22,570
12,441	5,800	(6,641)	Washington Office	56,392	40,600	(15,792)
20,813	28,447	7,634	Production Services	209,111	169,255	(39,856)
48,991	65,145	16,154	Development	243,111	340,948	97,837
50,870	49,494	(1,376)	G&A	242,914	315,725	72,811
16,175		(16,175)	Operations	16,175		(16,175)
216,670	211,846	(4,824)	Total Expenses	1,018,391	1,139,786	121,395
(121,723)	(13,068)	(108,655)	Net Operating Income (Loss)	673,820	183,883	489,938
555		555	Interest Income (Expense)	2,095		2,095
(121,168)	(13,068)	(108,100)	Pretax Income (Loss)	675,915	183,883	492,033
(53,314)	(5,227)	48,087	Income Taxes	307,683	147,108	(160,575)
(67,854)	(7,841)	(60,013)	NET INCOME (LOSS)	368,232	36,775	331,457

COSTELLA KIRSCH, INC.

444 Castro Street Suite 431 Mtn. View, CA 94041 415 962 1888

February 7, 1995

*250,000
-0-
9,175*

Mr. Nick Scharf
WAIS, INC.
1040 Noel Drive
Menlo Park, CA 94025

Dear Nick:

Costella Kirsch, Inc. is pleased to provide you with the following lease commitment for your consideration and acceptance:

LESSEE:	WAIS, INC.
LESSOR:	COSTELLA KIRSCH, INC. or its assigns
EQUIPMENT COST:	Total equipment cost of approximately \$250,000 as follows: \$75,000 of equipment in-place, and, \$175,000 of equipment to be acquired.
EQUIPMENT:	Equipment as per list provided by WAIS, INC., subject to final review of Costella Kirsch, Inc. Software, tooling and other "soft" costs not to exceed 10% of equipment cost.
DELIVERY OF EQUIPMENT:	Delivery and installation of equipment to occur no later than September 30, 1995.
LEASE TERM AND RATE FACTOR:	36 monthly payments @ 3.367% of equipment cost, payable in advance. Prior to funding, the rate factor will be adjusted to reflect any change in the Bank of America Prime Rate, currently 9%. Once funded, the factor is fixed for the full term of each schedule.
STOCK WARRANTS:	Warrants to purchase \$30,000 worth of Series "A" Preferred stock (12% "coverage") shall be awarded to Lessor. Exercise price shall be equal to 75% of the per share price achieved in the upcoming Series "A" equity round, provided, however, that Series "A" nets \$3 million and closes by 9/30/95. Otherwise, the warrants shall be issued in Common Stock at the price per share of Common Stock valuation as of 2/28/95.
	Exercise period shall be ten (10) years. Lessor shall receive piggyback registration and the same registration and anti-dilution rights as the Series "A" preferred holders, and net issuance.
LEASE FUNDINGS:	Fundings shall occur at month's end, at a minimum of \$50,000.
NET LEASE:	Insurance, maintenance and property taxes, and any other costs associated with the operation of the equipment and software to be paid by Lessee.

Nick Scharf
Page 2

END OF LEASE BUYOUT OBLIGATION: At the expiration of each Lease Schedule, Lessee will purchase all, but not less than all, of the equipment at ten percent (10%) of original cost.

FINANCIALS: Lessee to provide Lessor monthly financials and an annual CPA audit.

COMMITMENT DEPOSIT: Lessee shall remit a commitment deposit of \$2,500 in good faith to Lessor upon acceptance of this commitment. This sum shall be fully applied to the advance rental payments on future lease schedules.

CONDITIONS PRECEDENT: The obligations of Lessor and Lessee to enter into a lease agreement will be subject to the following:

- 1) Execution of documentation satisfactory to both parties.
- 2) Continuing fundings against this lease are subject to Lessee's reasonable performance and absence of any material adverse change in the financial condition of the Lessee as determined by Lessor in good faith from the date hereof through the funding dates of each schedule.
- 3) This commitment expires February 14, 1995.

TUE

Nick, if the terms herein are acceptable to you, please sign in the space provided below and return to us along with your deposit of \$2,500. We will then quickly commence with documentation for Schedule #1.

Glen and I are excited by the bright prospects for WAIS, INC. and look forward to serving your equipment financing needs.

Sincerely,

COSTELLA KIRSCH, INC.

Bill

William E. Kirsch *fm*

Accepted and agreed to this _____ day of _____, 1995.

WAIS, INC.

By: _____

Title: _____

OPTIMUM CAPITAL
2255 Contra Costa Blvd., Suite 200-A, Pleasant Hill, CA. 94523 * 800-937-4996 * Fax 510-602-2636
CORPORATION

TERM SHEET

TO: Nick Scharf @ WAIS, Inc.

DATE: 2/2/95

FROM: Bob Wilson

RE: Lease-financing for your equipment acquisition.

We are pleased to propose the following terms, per our discussions.

1. Amount: \$250,000

*10% of Original Purchase Amount

2. Terms: 60 monthly payments

* No Stock Warrants

<.0235>

3. Monthly Payments: \$5,875.00 /month

4. Due in Advance:

In order to commence the due diligence process, the Lessee shall pay Optimum Capital a commitment fee equal to two (2) advance payments (\$11,750) plus 1% to U.S.L. Capital.

The above Commitment Fee will be immediately returned to you if we are **unable** to deliver a commitment.

When a commitment is delivered, the commitment fee is deemed **earned** and will be applied to the advanced payments.

If a commitment is materially delivered per the above conditions and you **decline**; the fee is retained and deemed earned.

If you are in agreement with the foregoing, please acknowledge your acceptance by signing below and returning to my attention with the commitment fee by February 10, 1995.

X

Authorized Signature/Company

X

Date

OPTIMUM CAPITAL
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CORPORATION

TERM SHEET

TO: Nick Scharf @ WAIS, Inc.

DATE: 2/2/95

FROM: Bob Wilson

RE: Lease-financing for your equipment acquisition.

We are pleased to propose the following terms, per our discussions.

1. Amount: \$250,000

*10% of Original Purchase Amount

2. Terms: 48 monthly payments

* No Stock Warrants

<.0265>

3. Monthly Payments: \$6,625.00 /month

4. Due in Advance:

In order to commence the due diligence process, the Lessee shall pay Optimum Capital a commitment fee equal to two (2) advance payments (\$13,250) plus 1% to U.S.L. Capital.

The above Commitment Fee will be immediately returned to you if we are **unable** to deliver a commitment.

When a commitment **is** delivered, the commitment fee is deemed **earned** and will be applied to the advanced payments.

If a commitment is materially delivered per the above conditions and you **decline**; the fee is retained and deemed earned.

If you are in agreement with the foregoing, please acknowledge your acceptance by signing below and returning to my attention with the commitment fee by February 10, 1995.

X

Authorized Signature/Company

X

Date



WAIS, Inc.

TERM SHEET PROPOSAL

February 9, 1995

The following outline represents the terms under which Cupertino National Bank & Trust (CNB) believes it could provide financing to WAIS, Inc. Please note that this proposal is not a commitment or contract from CNB. A formal commitment would require approval of the CNB Credit Committee, and, in the approval process, the terms and conditions of this proposal may change. This proposal is proprietary to CNB and may not be disclosed to any third party without the prior written consent of CNB. This proposal shall expire on January 20, 1995.

BORROWER: WAIS, Inc.

CREDIT FACILITY: A. \$250,000 Line of Credit
B. \$75,000 Equipment Term Loan

PURPOSE: A. Finance Working Capital
B. Purchase of Equipment

MATURITY: A. One Year
B. 2 Years

TERMS: A. Interest Payable Monthly, Principal due at Maturity
B. Principal of \$3,125 per month plus interest

COLLATERAL: First Security Interest in All Tangible and Intangible Business Assets.

INTEREST RATE: A. Prime + 1½ %
B. Prime + 2%

LOAN FEE: A. ½ of 1% p.a.
B. \$500

BORROWING FORMULA: 75% against eligible receivables
Ineligible A/R shall include:
• Accounts aged over 90 days past invoice date
• Foreign Accounts (unless specifically approved)

CUPERTINO NATIONAL BANK & TRUST
Proposal for WAIS, Inc.

February 9, 1995

- U.S. Government account or its agencies (unless specifically waived).
- Contra Accounts
- Retentions
- Related Company Accounts
- 50% Cross-Aged
- Any account which exceeds 30% of total A/R amount is excluded from the base.

GUARANTORS/AMOUNT: From Brewster Kahle in the event of a financial loan covenant default.

SUBORDINATION: Any debt from shareholders.

FINANCIAL COVENANTS: Required on a Monthly Basis:

- 1) Minimum Quick Ratio of .75 to 1.00
- 2) Minimum Tangible Net Worth of \$350,000 plus 75% of additional equity.
- 3) Maximum Debt to Tangible Net Worth of 1.5 to 1.0.

Required on a Quarterly Basis:

- 1) One loss quarter of \$100,000 allowed; no two consecutive loss quarters and profitable year-to-date.

FINANCIAL REPORTING:

- 1) Reviewed financial statements within 115 days of FYE.
- 2) Monthly financial statement with Compliance Certificate within 20 days of each month end.
- 3) Monthly A/R and A/P Agings within 10 days of each month end with Borrowing Base Certificate.
- 4) Annual Personal Financial Statement and Tax Returns of Brewster Kahle should the personal guarantee be activated.

OTHER CONDITIONS:

- 1) Loan shall be subject to satisfactory A/R audit at Borrower's expense. Thereafter, semi-annual A/R audit at Borrower's expense.
- 2) Borrower shall maintain primary deposit relationship with CNB.
- 3) Borrower to obtain blanket lien insurance naming CNB as loss payee.

CUPERTINO NATIONAL BANK & TRUST
Proposal for WAIS, Inc.

February 9, 1995

- 4) If applicable, legal costs to close loan shall be paid by Borrower.
- 5) CNB reserves the right to require daily collateral control reporting any time.
- 6) Loans to be cross-collateralized and cross-defaulted.